

# Greece, World's Best Stock Market, Touts Turnaround From Crisis

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The world's top stock returns this year come from Greece, the very nation that not long ago got history's biggest sovereign bailout.

Greek shares have rallied about 38% this year in local terms, more than double the S&P 500 Index and five times MSCI's benchmark emerging-market equity gauge. Socrates Lazaridis, the exchange's chief executive officer, said he expects further gains, buoyed by the likely election of opposition leader Kyriakos Mitsotakis in next month's snap vote.

## The Big Greek Rally

Greece's stock index has sextupled the rally in EM benchmark this year



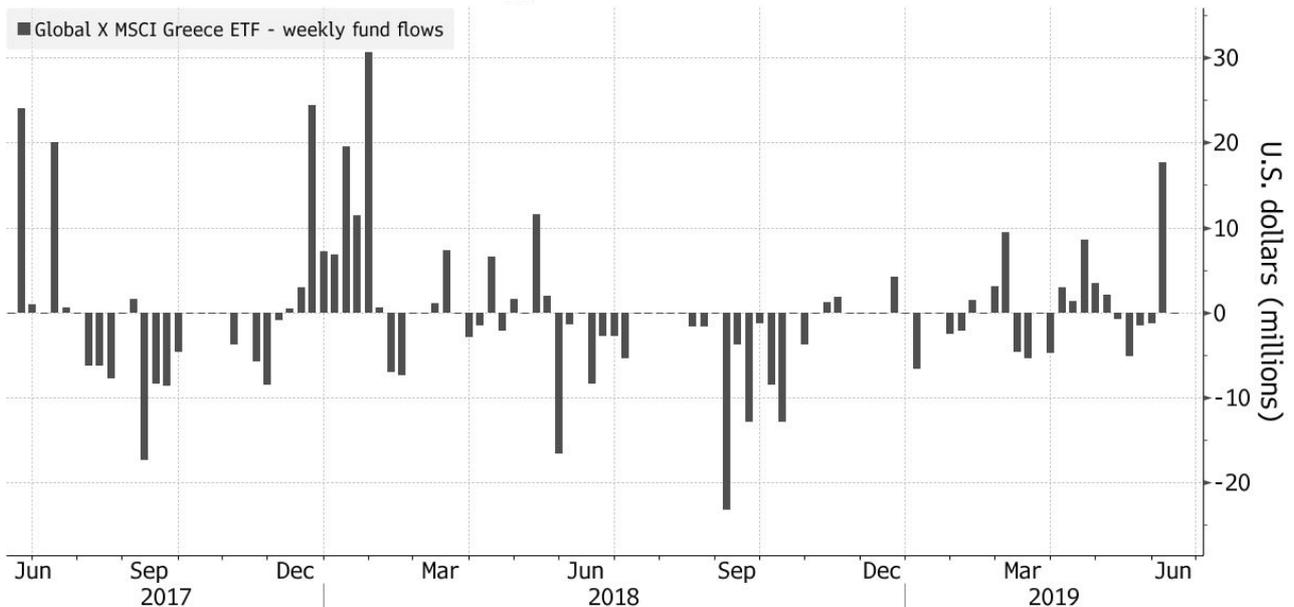
Source: Bloomberg

Greece's new government will implement more pro-business policies and accelerate an overhaul of the banking industry, according to Lazaridis. Mitsotakis has said he plans to lower corporate taxes and sell state assets as part of a plan targeting a growth rate of 4%. Shares in the exchange's two best-performers, Piraeus Bank SA and Attica Bank SA, have more than doubled this year amid efforts to scale back sour loans, a legacy of a debt crisis that shrank the Greek economy by more than 25%.

"The year has started perfectly," Lazaridis said in an interview in New York, where he was on a roadshow accompanied by Piraeus Bank Chairman George Handjinicolaou and Emilios Kyriacou, a Citigroup Inc. managing director. "Banks are tackling their issues efficiently, the fiscal problems have been resolved and real economy enterprises have the means, by low interest rates, to implement their business plans."

## Back in Business

### U.S. ETF for Greek stocks saw biggest inflow since Jan. 2018



Source: Bloomberg

The yield on Greece's benchmark 10-year bond fell to a record low of 2.74% on Wednesday, another sign of investor confidence, while a U.S. exchange-traded fund focused on the Mediterranean nation's equities had its biggest inflow last week since January 2018.

Some analysts are warning that the optimism may be premature. In a note last month, Morgan Stanley said Greek bank fundamentals don't support the big rally. Meantime, a report by the European Commission highlighted vulnerabilities in the nation's banking industry and further challenges for boosting domestic demand.

If elected, Mitsotakis will face a tough task: Satisfying the demands of investors who fear backtracking on the economic overhaul while easing the pain for the bailout-worn Greeks, who have suffered under almost a decade of belt-tightening policies and deteriorating living standards.

"My major concern from Citibank's point of view is that all the juniors we've employed in the last 10 years have only worked in crisis management," Kyriacou said. "Now, one of the difficulties we have is to change the mindset and go into growth mode."